

# AN EMPIRICAL STUDY OF MUTUAL FUND AWARENESS AMONG THE PEOPLE OF AHMEDABAD

Shivam Tripathi

Job Trainee,  
Gujarat University, Ahmedabad,  
shivam.ks.1011@gmail.com

## Abstract

Mutual fund industry in India is rising and investment in a mutual fund is less risky than financing in other risky instruments is therefore a safer option for risk aggressive investors. Mutual Funds offer a stage for an investor to contribute to the Indian capital market with specialized fund management regardless of the amount invested. This paper attempts to study the outlook of citizens towards awareness with special reference to mutual funds. The population of the study is selected from the Ahmedabad city of Gujarat state of the country. The sample size is 100 and the researcher has used a convenient sampling method for the study. The findings of this study are that people are aware of mutual funds but still, people are not investing in mutual funds. It is expected that this study will help in India to plan successful strategies for increasing investment in mutual funds and they can spread more awareness about mutual funds.

**Keywords:** Mutual funds, awareness, Investment, Investor's behavior

## 1. INTRODUCTION

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds, and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a vast number of securities, and performance is usually tracked as the change in the total market cap of the fund—derived by the aggregating performance of the underlying investments.<sup>1</sup>

A strong financial market with broad participation is essential for a developed economy. With this broad objective, India's first mutual fund was the establishment in 1963, namely, Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India ' to encourage saving and investment and participation in the income, profits, and gains accruing to the Corporation from the acquisition, holding, management, and disposal of securities.

In the last few years, the MF Industry has grown significantly. The history of Mutual Funds in India can be broadly divided into five distinct phases as follows:

### FIRST PHASE - 1964-1987

The Mutual Fund industry in India started in 1963 with the formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964 (US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).

### SECOND PHASE - 1987-1993 - ENTRY OF PUBLIC SECTOR MUTUAL FUNDS

The year 1987 marked the entry of public sector mutual funds set up by Public Sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund

<sup>1</sup> <https://www.investopedia.com/>

was the first 'non-UTI' mutual fund established in June 1987, followed by Canbank Mutual Fund (Dec. 1987), Punjab National Bank Mutual Fund (Aug. 1989), Indian Bank Mutual Fund (Nov 1989), Bank of India (Jun 1990), Bank of Baroda Mutual Fund (Oct. 1992). LIC established its mutual fund in June 1989, while GIC had set up its mutual fund in December 1990. At the end of 1993, the MF industry had assets under management of ₹47,004 crores.

### **THIRD PHASE - 1993-2003 - ENTRY OF PRIVATE SECTOR MUTUAL FUNDS**

The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in the securities market and to promote the development of, and to regulate, the securities market.

In the year 1993, the first set of SEBI Mutual Fund Regulations came into being for all mutual funds, except UTI. The erstwhile Kothari Pioneer (now merged with Franklin Templeton MF) was the first private sector MF registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MF industry, giving the Indian investors a wider choice of MF products. The initial SEBI MF Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

The number of MFs increased over the years, with many foreign sponsors setting up mutual funds in India. Also, the MF industry witnessed several mergers and acquisitions during this phase. As at the end of January 2003, there were 33 MFs with total AUM of ₹1,21,805 crores, out of which UTI alone had AUM of ₹44,541 crores.

### **FOURTH PHASE - SINCE FEBRUARY 2003 – APRIL 2014**

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund which functions under the SEBI MF Regulations. With the bifurcation of the erstwhile UTI and several mergers taking place among different private sector funds, the MF industry entered its fourth phase of consolidation.

Following the global melt-down in the year 2009, securities markets all over the world had tanked and so was the case in India. Most investors who had entered the capital market during the peak had lost money and their faith in MF products was shaken greatly. The abolition of Entry Load by SEBI, coupled with the after-effects of the global financial crisis, deepened the adverse impact on the Indian MF Industry, which struggled to recover and remodel itself for over two years, in an attempt to maintain its economic viability which is evident from the sluggish growth in MF Industry AUM between 2010 to 2013.

### **FIFTH (CURRENT) PHASE – SINCE MAY 2014**

Taking cognizance of the lack of penetration of MFs, especially in tier II and tier III cities, and the need for greater alignment of the interest of various stakeholders, SEBI introduced several progressive measures in September 2012 to "re-energize" the Indian Mutual Fund industry and increase MFs' penetration. In due course, the measures did succeed in reversing the negative trend that had set in after the global melt-down and improved significantly after the new Government was formed at the Center. Since May 2014, the Industry has witnessed steady inflows and an increase in the AUM as well as the number of investor folios (accounts).

The Industry's AUM crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time as on 31st May 2014 and in a short span of two years the AUM size has crossed ₹15 lakh crore in July 2016.

The overall size of the Indian MF industry has grown from ₹ 3.26 trillion as on 31st March 2007 to ₹ 15.63 trillion as on 31st August 2016, the highest AUM ever and a five-fold increase in less than 10 years !!

The MF Industry has more doubled its AUM in the last 4 years from ₹ 5.87 trillion as on 31st March 2012 to ₹ 12.33 trillion as on 31st March 2016 and further grown to ₹ 15.63 trillion as on 31st August 2016.

The no. of investor folios has gone up from 3.95 crore folios as on 31-03-2014 to 4.98 crore as on 31-08-2016.

On an average 3.38 lakh, new folios are added every month in the last 2 years since Jun 2014.

The growth in the size of the Industry has been possible due to the twin effects of the regulatory measures taken by SEBI in re-energizing the MF Industry in September 2012 and the support from mutual fund distributors in expanding the retail base.

MF Distributors have been providing the much-needed last mile connect with investors, particularly in smaller towns and this is not limited to just enabling investors to invest in appropriate schemes, but also in helping investors stay on course through bouts of market volatility and thus experience the benefit of investing in mutual funds.

Even though FY 2015-16 was not a very good year for the Indian securities market, the MF Industry witnessed steady positive net inflows month after month, even when the FIIs were pulling out in a big way. This was large because of the 'hand-holding' of the investors by the MF distributors and convincing them to stay invested and/or invest at lower NAVs when the market had fallen.

MF distributors have also had a major role in popularising Systematic Investment Plans (SIP) over the years. In April 2016, the no. of SIP accounts has crossed 1 crore mark, and currently each month retail investors contribute around ₹3,500 crores via SIPs.<sup>2</sup>

## 2. LITERATURE REVIEW

**Bobade et. al** (2020) found that most of the investors are aware of mutual funds. Investors who having high liquidity investing their money in mutual funds. Investors are investing their money in mutual funds for regular return in future, Tax Saving, Minimizing financial risk. Mutual Fund industry growing at a large level in India.

**KCN Rao** (2020) investigated that most of the investors are aware of various schemes of mutual funds. The Mutual Fund investors mainly belong to the age group from 19 years to 55 years and fall in the income group of Rs 30,000 to Rs 70,000 and above. Diversification of portfolio and tax benefit is the main factor of mutual funds that allure the investors.

**Tripathi & Japee** (2020) found that most of the mutual funds are performing well. The researcher selected 15 different mutual fund schemes and separated them by large-cap, midcap, and small-cap. They used financial ratios for the study.

**J.K. Raju** (2020) found that there is no significant relationship between monthly income and awareness about mutual fund investment.

**Saxena & Sheikh** (2019) found from the study that gender is no impact on mutual fund investment intention however middle age group, high-income group and investors with finance-related education are highly positive about mutual funds' investments. One-way ANOVA and independent sample T-test have been used to analyses the data.

## 3. OBJECTIVES OF STUDY

- To study the outlook of customers towards investment with special reference to Mutual funds.
- To discover the relationship between the risk and return activities of the investor.

## 4. RESEARCH METHODOLOGY

The present research study is based on primary data. The questionnaire is used as a data collection tool to collect the response from the respondents.

### 4.1 Sample Area

Ahmedabad

### 4.2 Sample Size

100 respondents

### 4.3 Sampling Unit

Businessmen, Government Servant, Students, Others

## 5. DATA ANALYSIS & INTERPRETATION

For the case of understanding and making meaningful inferences, the data has been compiled in tables/graphs/diagrams.

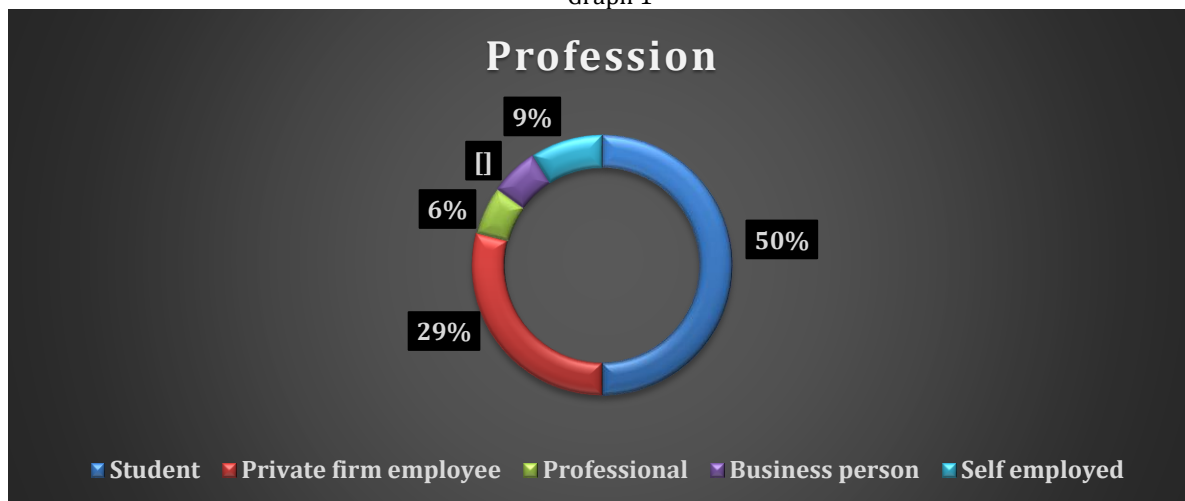
<sup>2</sup> <https://www.amfiindia.com/>

## 1. Profession of Respondents

Table 1

OPTION	RESPONSE (OUT OF 100)
Student	50
Private firm employee	29
Professional	6
Businessperson	6
Self-employed	9

Graph 1

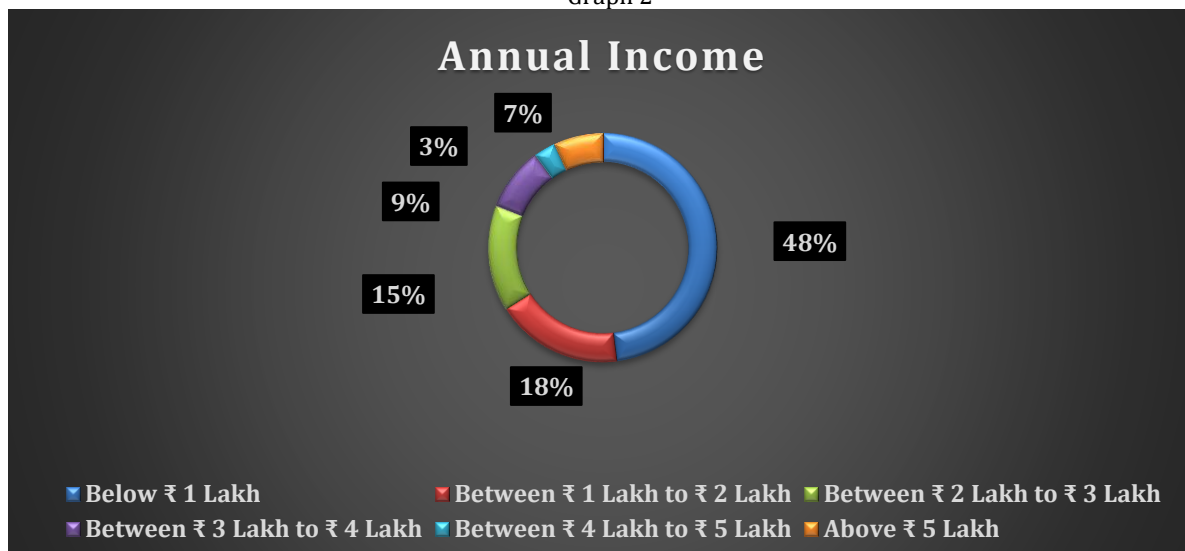


## 2. Annual Income

Table 2

OPTION	RESPONSE (OUT OF 100)
Below ₹ 1 Lakh	48
Between ₹ 1 Lakh to ₹ 2 Lakh	18
Between ₹ 2 Lakh to ₹ 3 Lakh	15
Between ₹ 3 Lakh to ₹ 4 Lakh	9
Between ₹ 4 Lakh to ₹ 5 Lakh	3
Above ₹ 5 Lakh	7

Graph 2

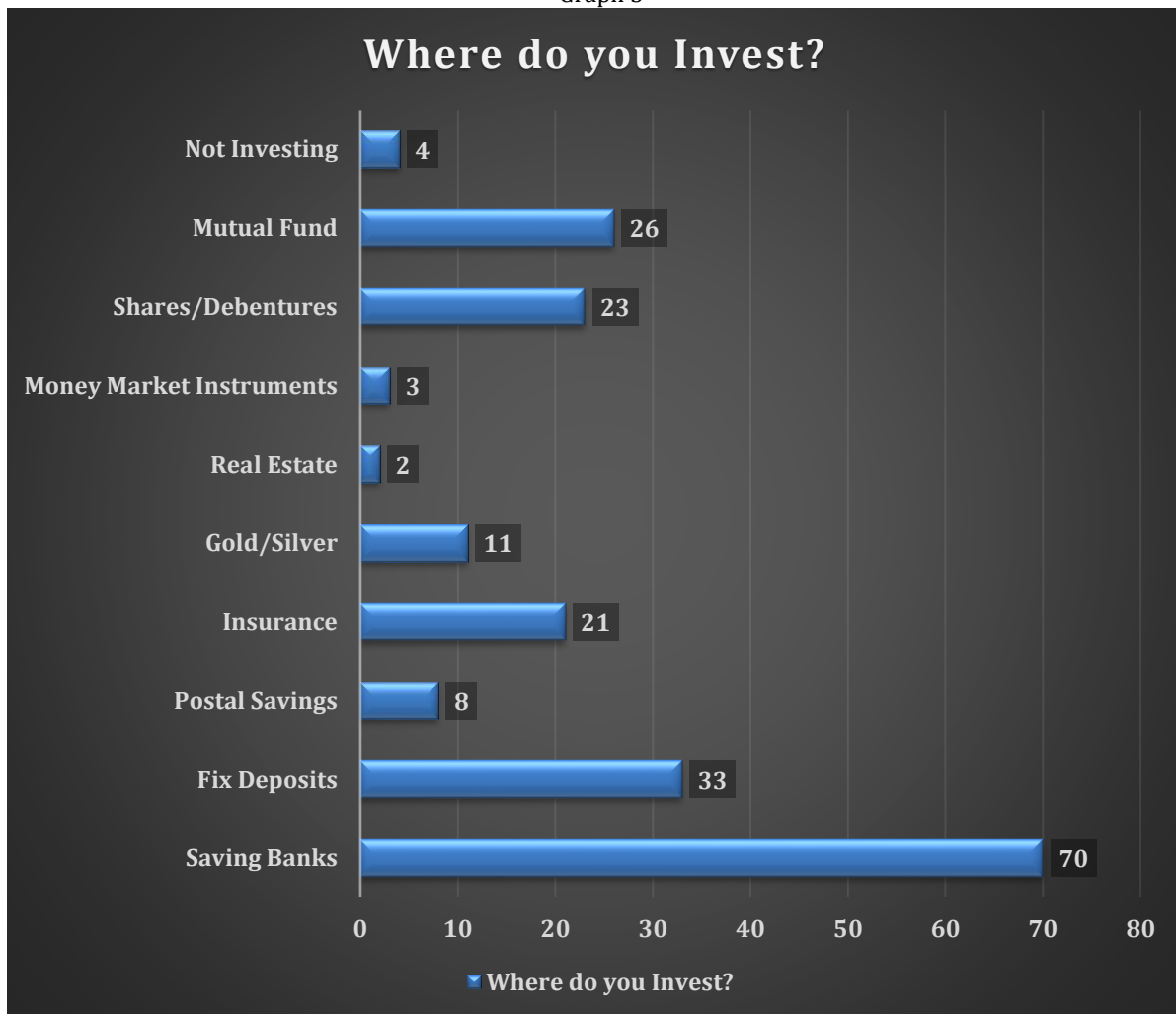


3. Where do you invest?

Table 3

OPTION	RESPONSE (OUT OF 100)
Saving Banks	70
Fix Deposits	33
Postal Savings	8
Insurance	21
Gold/Silver	11
Real Estate	2
Money Market Instruments	3
Shares/Debentures	23
Mutual Fund	26
Not Investing	4

Graph 3

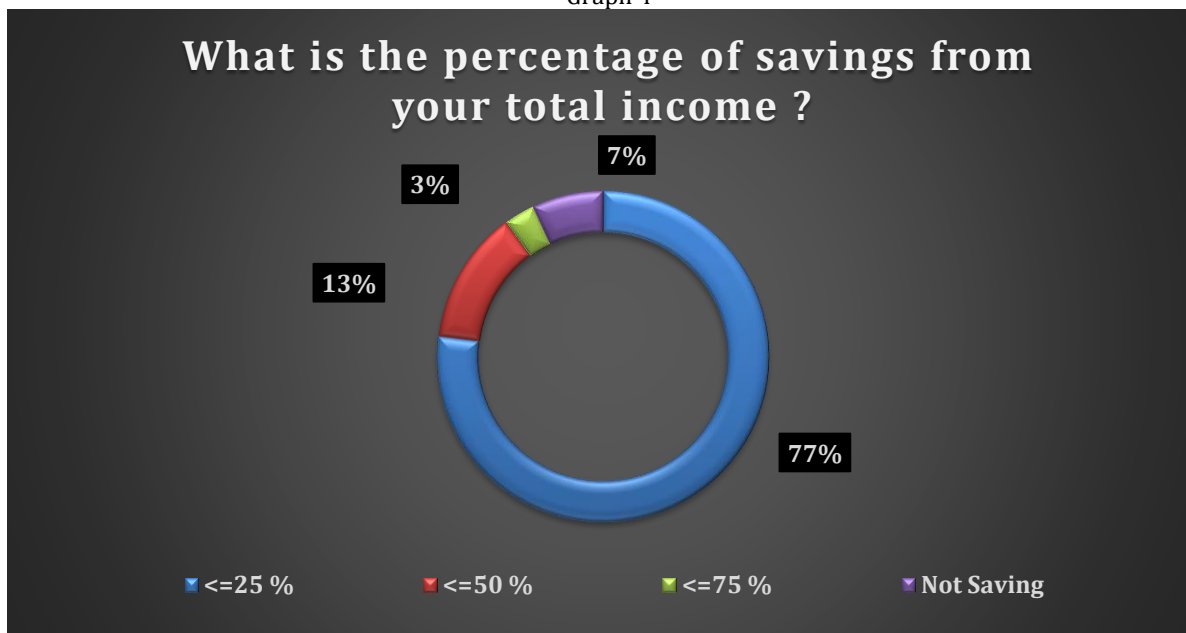


4. What is the percentage of savings from your total income?

Table 4

OPTION	RESPONSE (OUT OF 100)
<=25 %	77
<=50 %	13
<=75 %	3
Not Saving	7

Graph 4

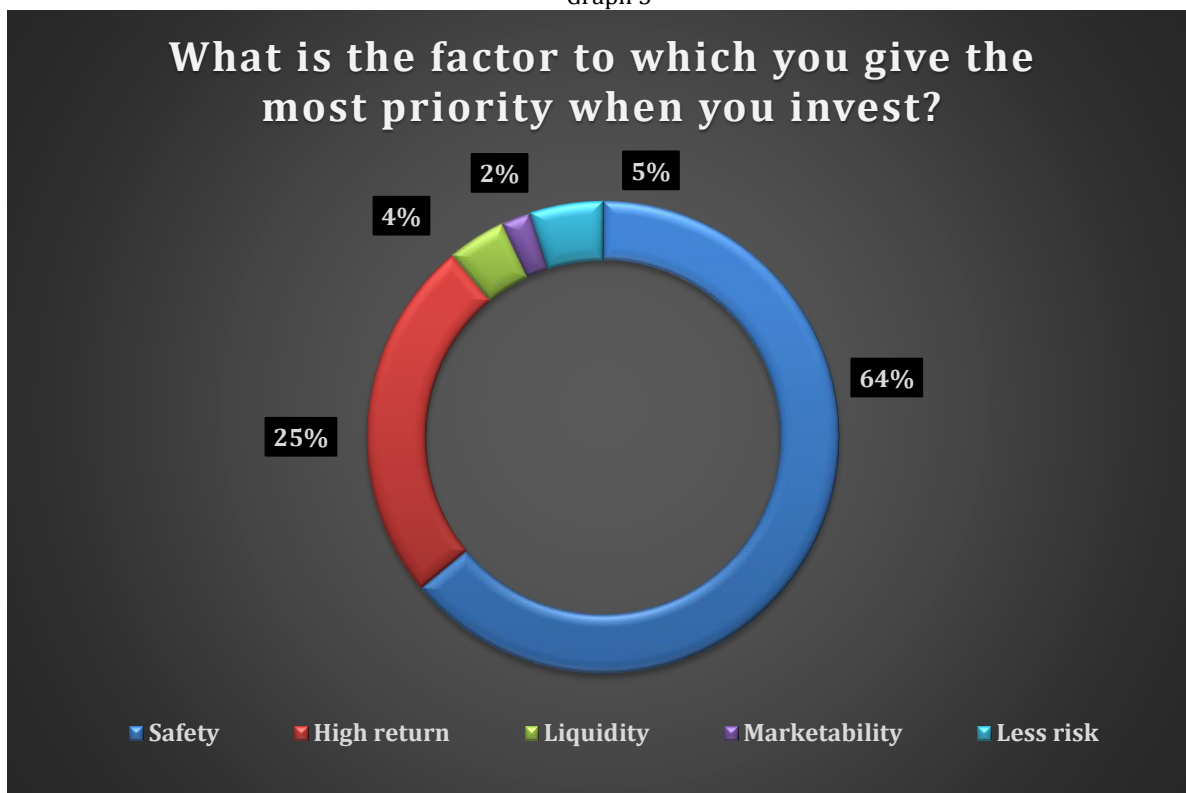


5. What is the factor to which you give the most priority when you invest?

Table 5

OPTION	RESPONSE (OUT OF 100)
Safety	64
High return	25
Liquidity	4
Marketability	2
Less risk	5

Graph 5

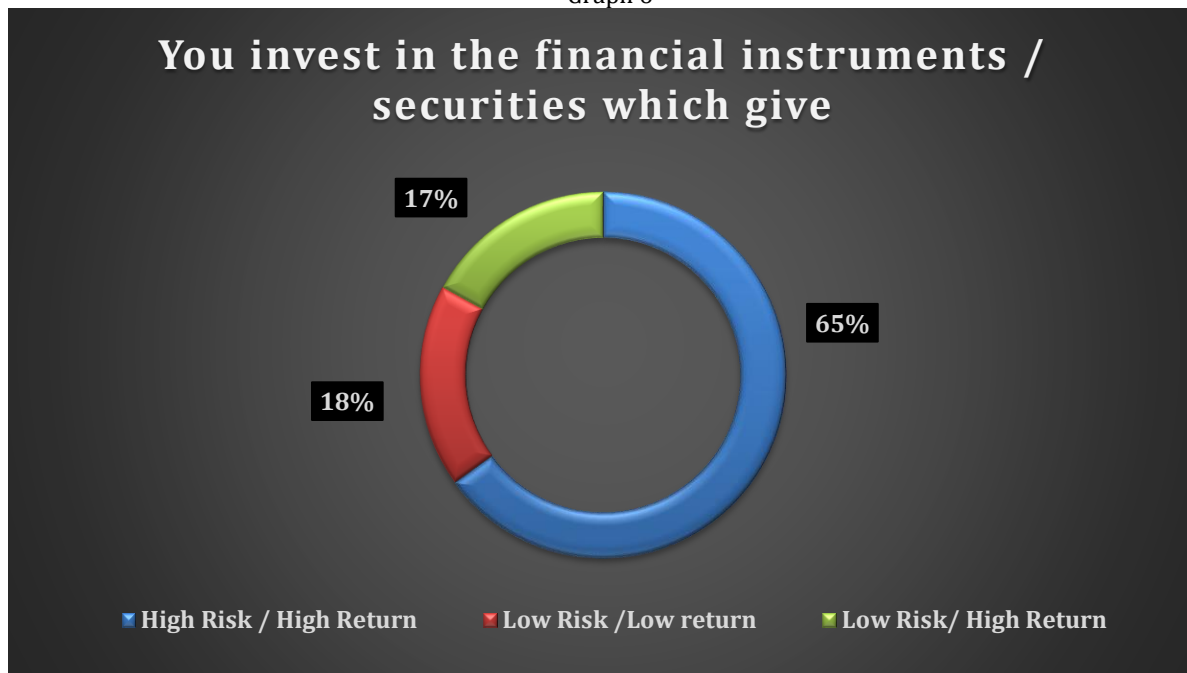


6. You invest in the financial instruments/securities which give

Table 6

OPTION	RESPONSE (OUT OF 100)
High Risk / High Return	65
Low Risk /Low return	18
Low Risk/ High Return	17

Graph 6

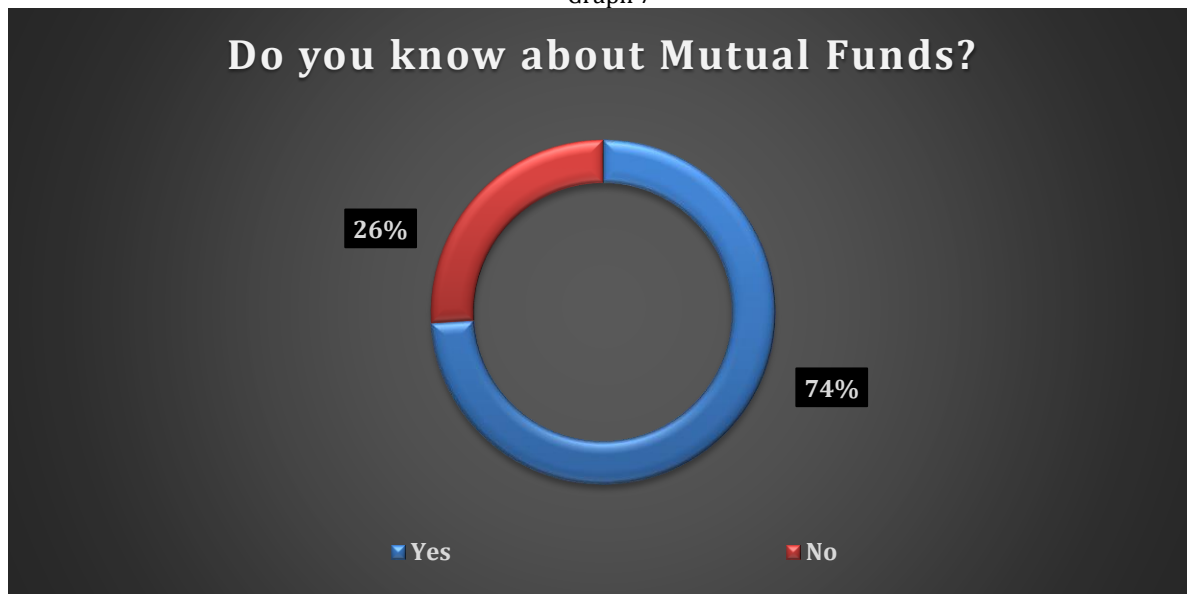


7. Do you know about Mutual Funds?

Table 7

OPTION	RESPONSE (OUT OF 100)
Yes	74
No	26

Graph 7

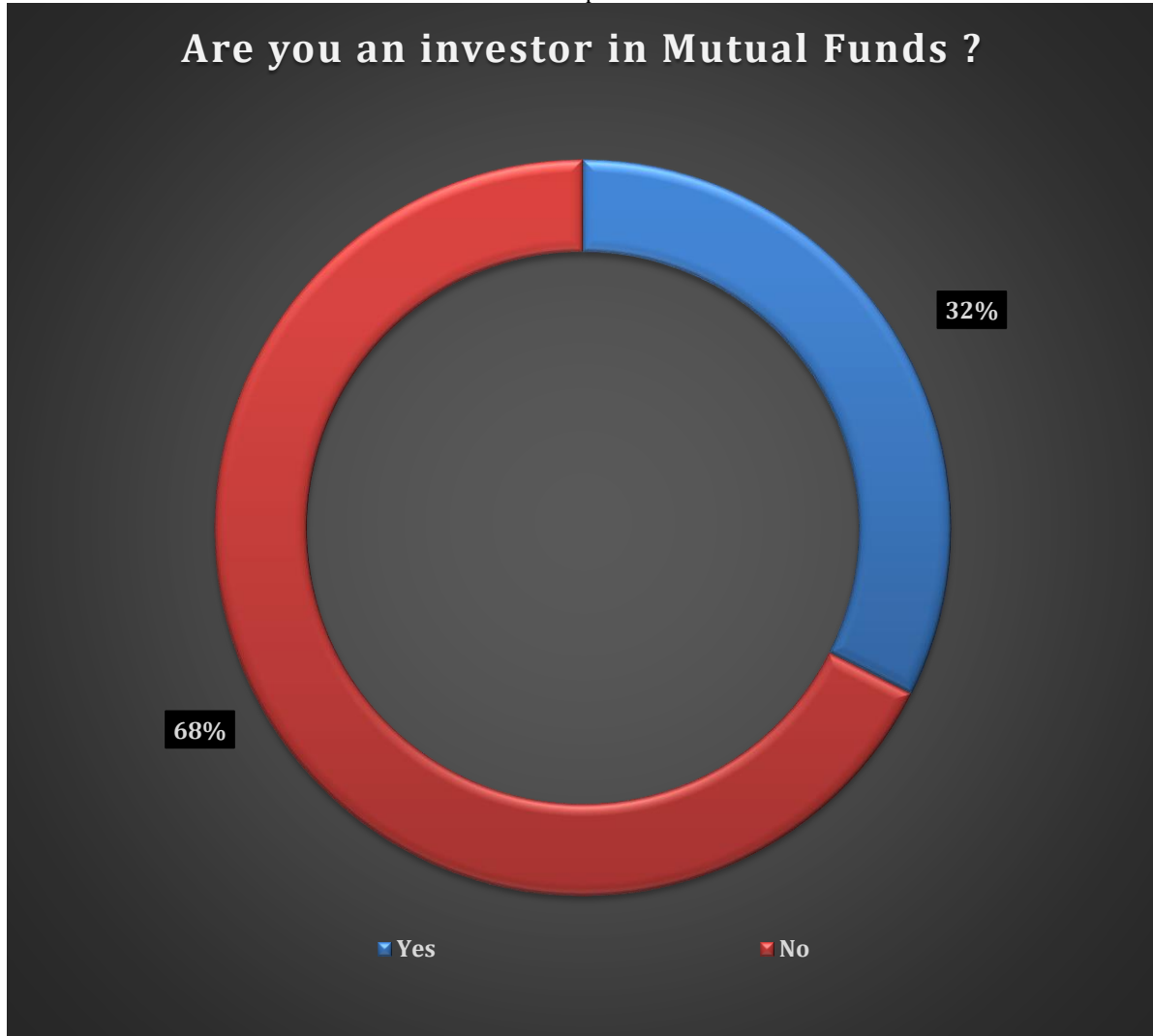


8. Are you an investor in Mutual Funds?

Table 8

OPTION	RESPONSE (OUT OF 74)
Yes	24
No	50

Graph 8



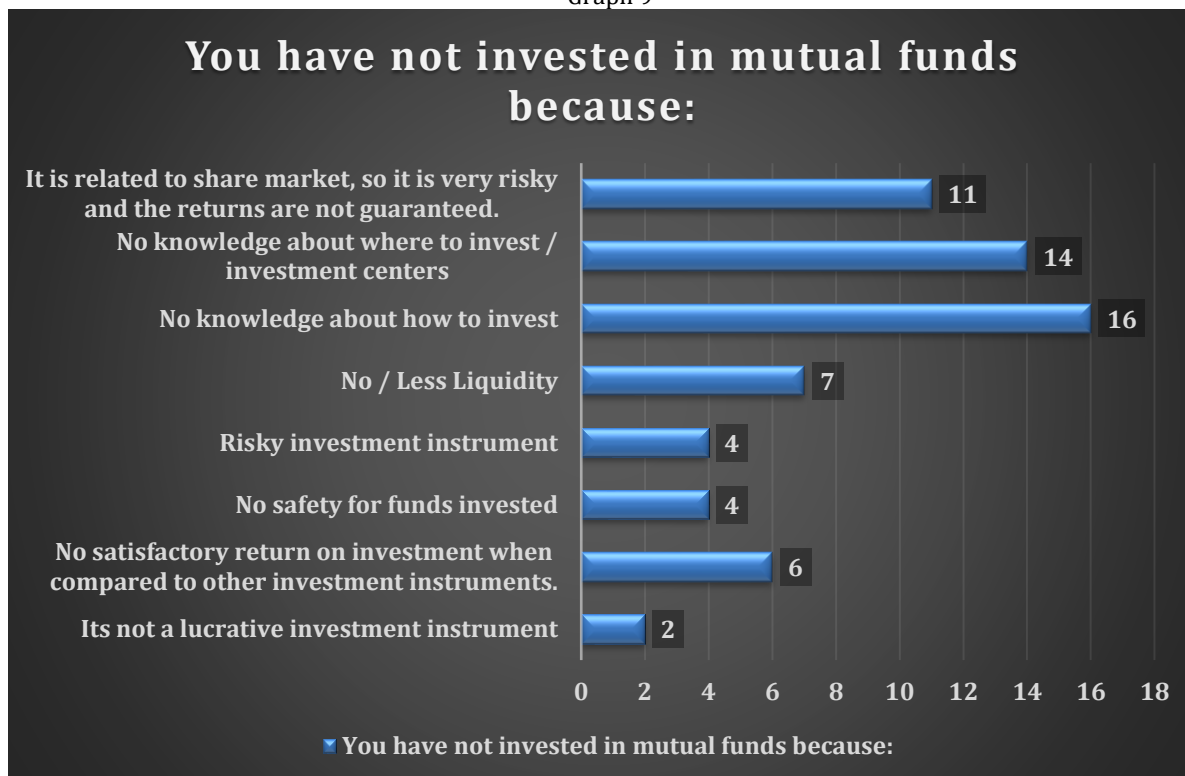
9. You have not invested in mutual funds because:

Table 9

OPTION	RESPONSE (OUT OF 50)
It's not a lucrative investment instrument	2
No satisfactory return on investment when compared to other investment instruments.	6
No safety for funds invested	4
Risky investment instrument	4
No / Less Liquidity	7
No knowledge about how to invest	16
No knowledge about where to invest / investment centers	14
It is related to the share market, so it is very risky and the returns are not guaranteed.	11



Graph 9

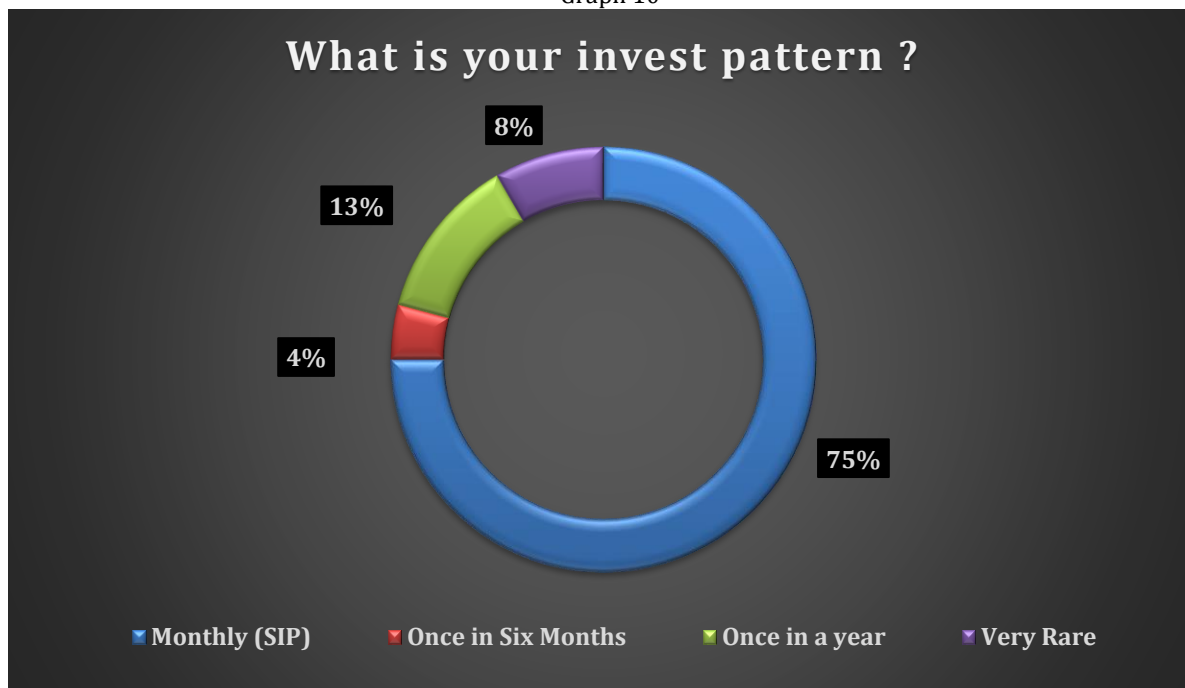


10. What is your investment pattern?

Table 10

OPTION	RESPONSE (OUT OF 24)
Monthly (SIP)	18
Once in Six Months	1
Once in a year	3
Very Rare	2

Graph 10



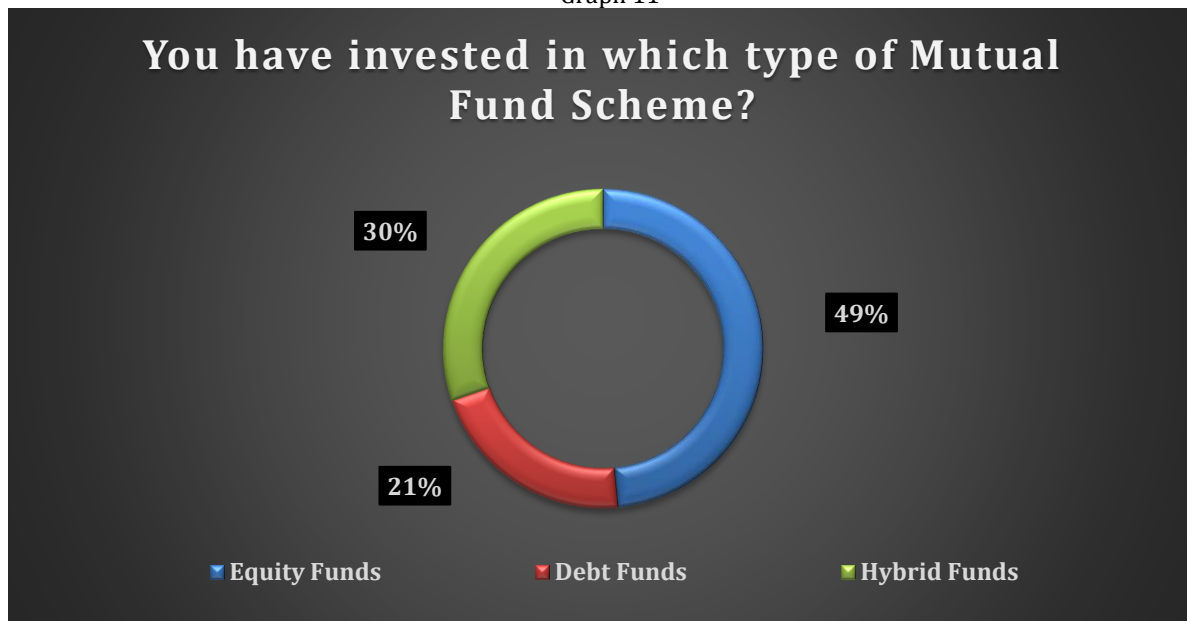
<https://www.gapinterdisciplinaries.org/>

11. You have invested in which type of Mutual Fund Scheme?

Table 11

OPTION	RESPONSE (OUT OF 24)
Equity Funds	16
Debt Funds	7
Hybrid Funds	10

Graph 11

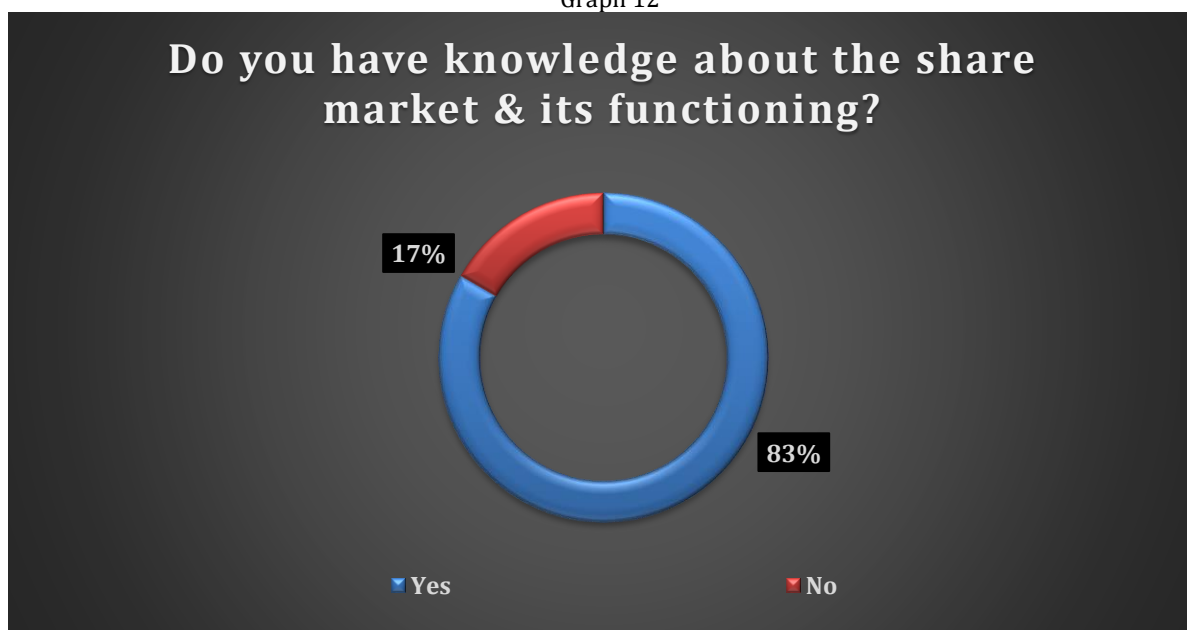


12. Do you know the share market & its functioning?

Table 12

OPTION	RESPONSE (OUT OF 24)
Yes	20
No	4

Graph 12

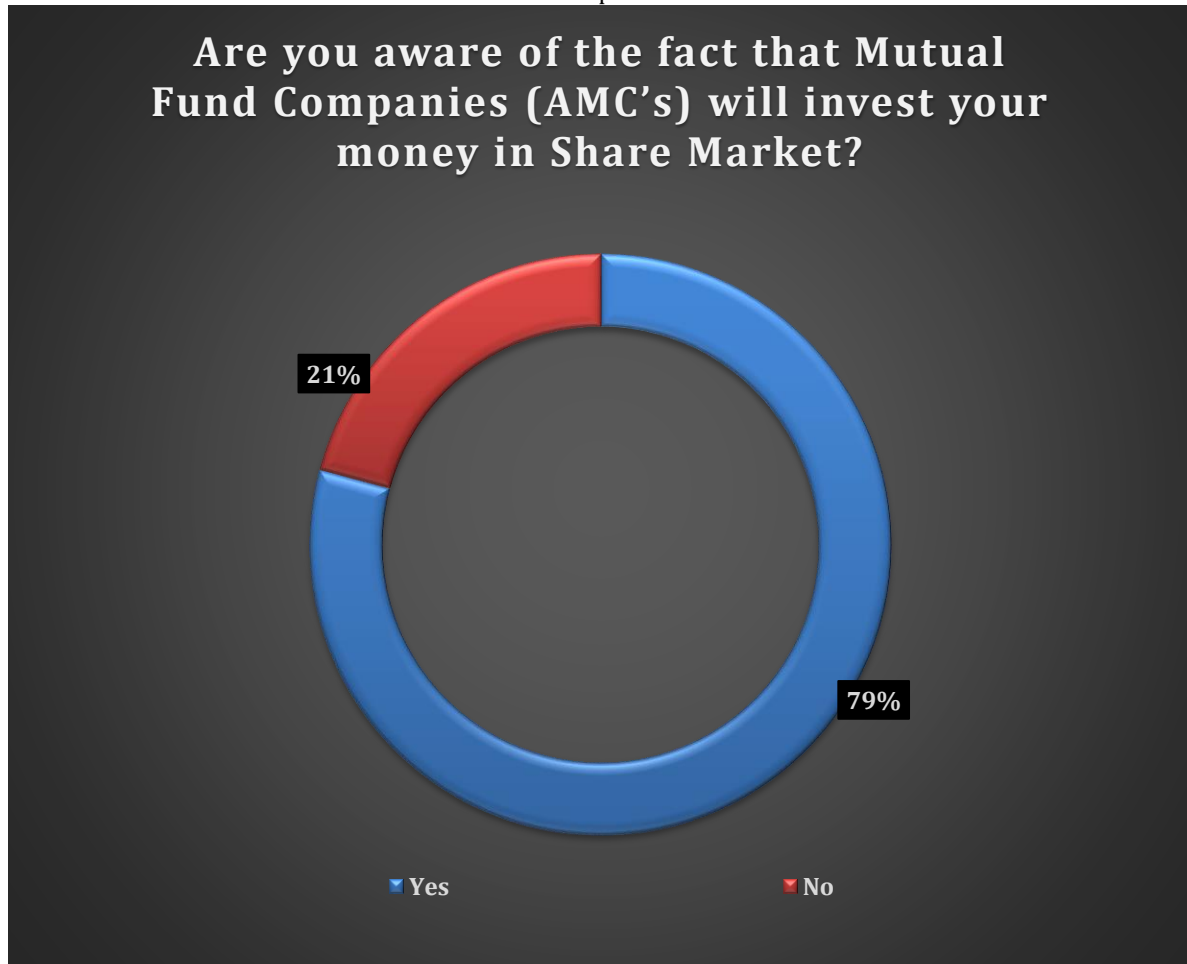


13. Are you aware of the fact that Mutual Fund Companies (AMC's) will invest your money in Share Market?

Table 13

OPTION	RESPONSE (OUT OF 24)
Yes	19
No	5

Graph 13

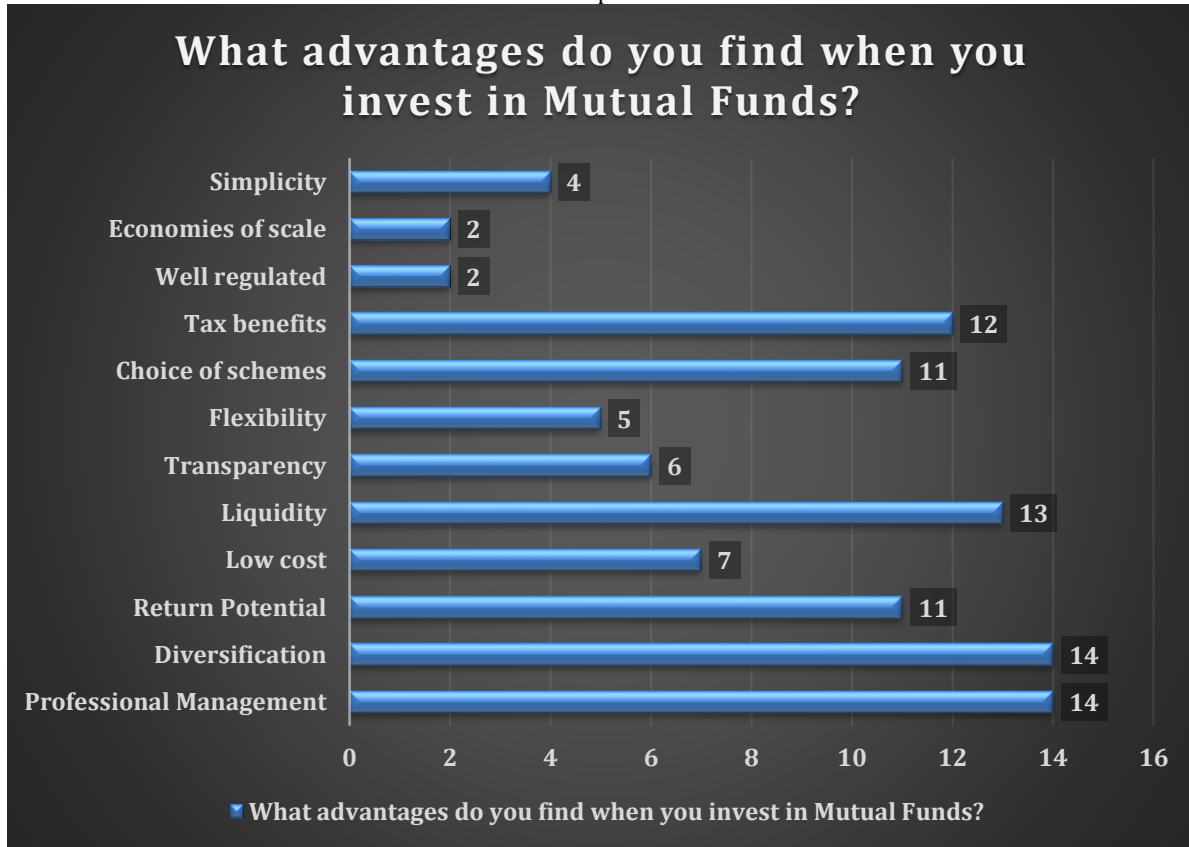


14. What advantages do you find when you invest in Mutual Funds?

Table 14

OPTION	RESPONSE (OUT OF 24)
Professional Management	14
Diversification	14
Return Potential	11
Low cost	7
Liquidity	13
Transparency	6
Flexibility	5
Choice of schemes	11
Tax benefits	12
Well regulated	2
Economies of scale	2
Simplicity	4

Graph 14

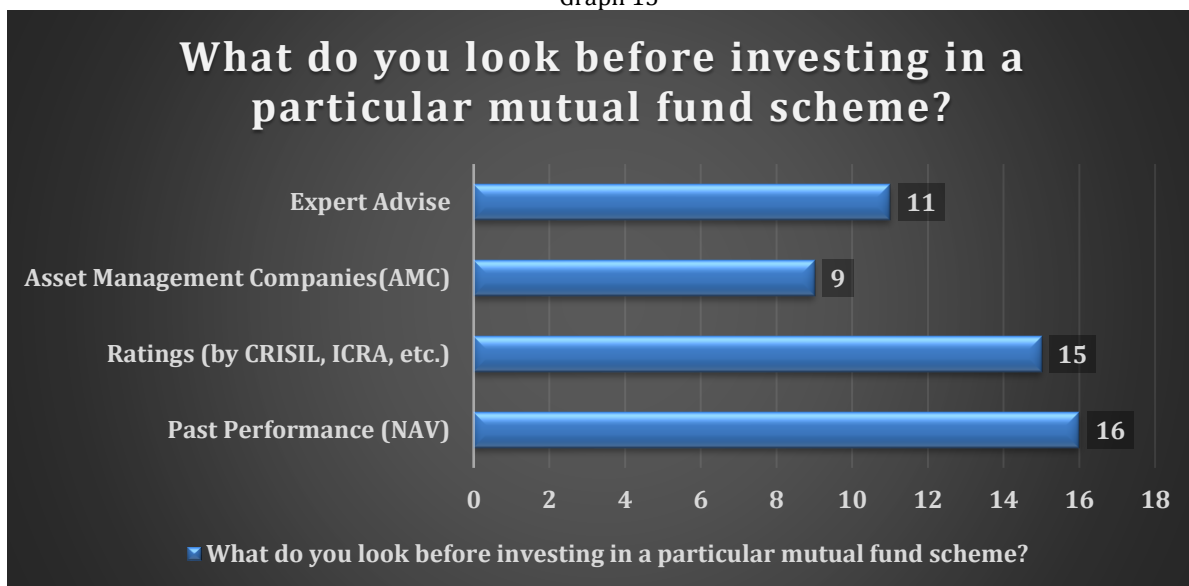


15. What do you look before investing in a particular mutual fund scheme?

Table 15

OPTION	RESPONSE (OUT OF 24)
Past Performance (NAV)	16
Ratings (by CRISIL, ICRA, etc.)	15
Asset Management Companies(AMC)	9
Expert Advice	11

Graph 15



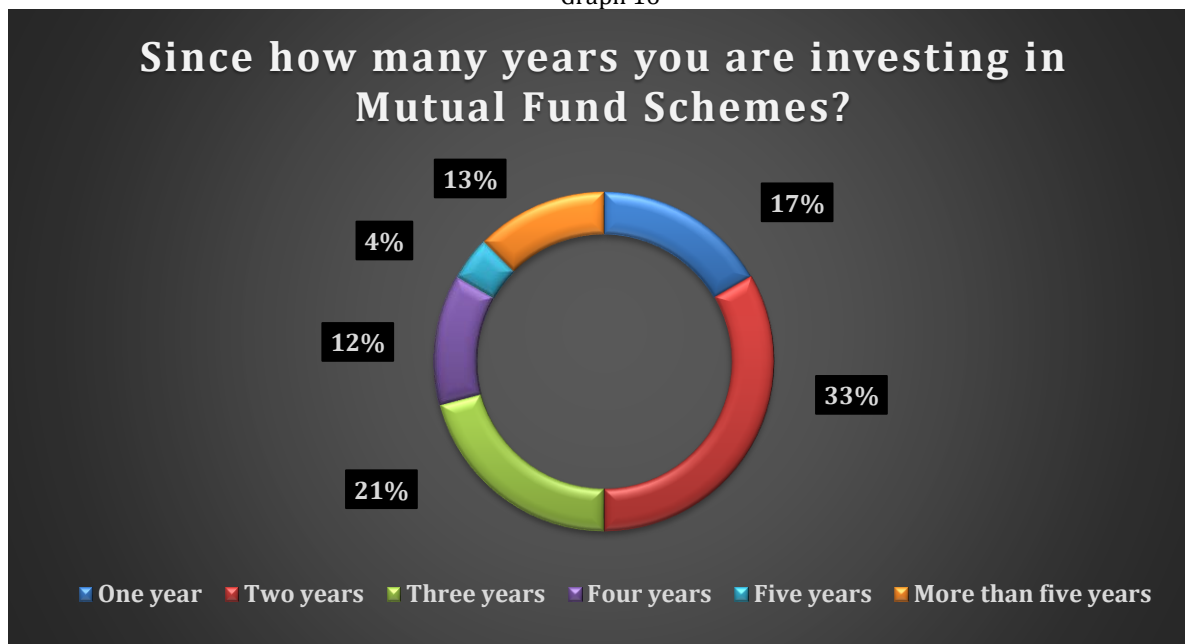
<https://www.gapinterdisciplinaries.org/>

16. Since how many years you are investing in Mutual Fund Schemes?

Table 16

OPTION	RESPONSE (OUT OF 24)
One year	4
Two years	8
Three years	5
Four years	3
Five years	1
More than five years	3

Graph 16

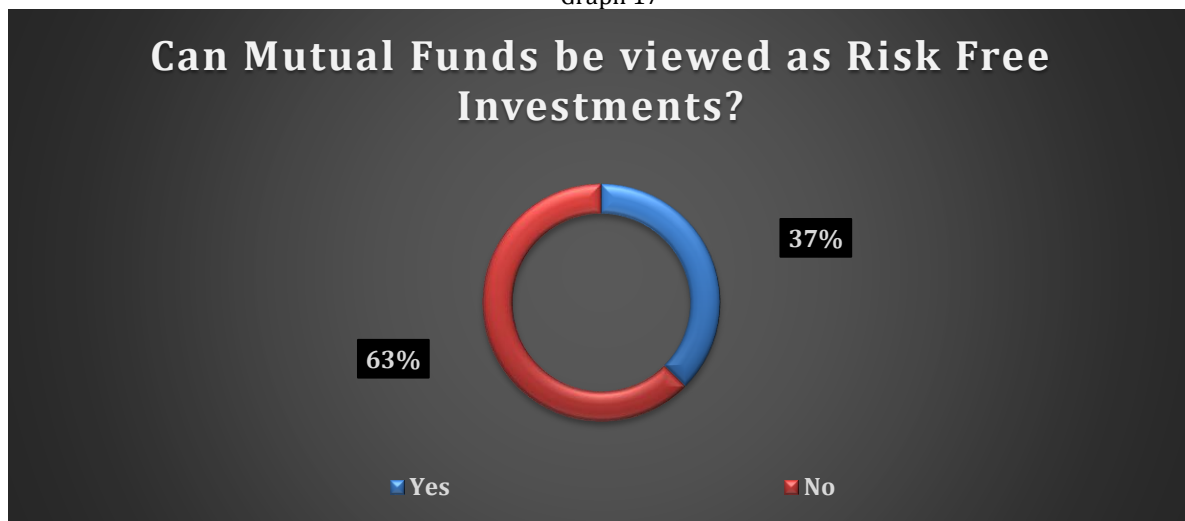


17. Can Mutual Funds be viewed as Risk-Free Investments?

Table 17

OPTION	RESPONSE (OUT OF 24)
Yes	9
No	15

Graph 17

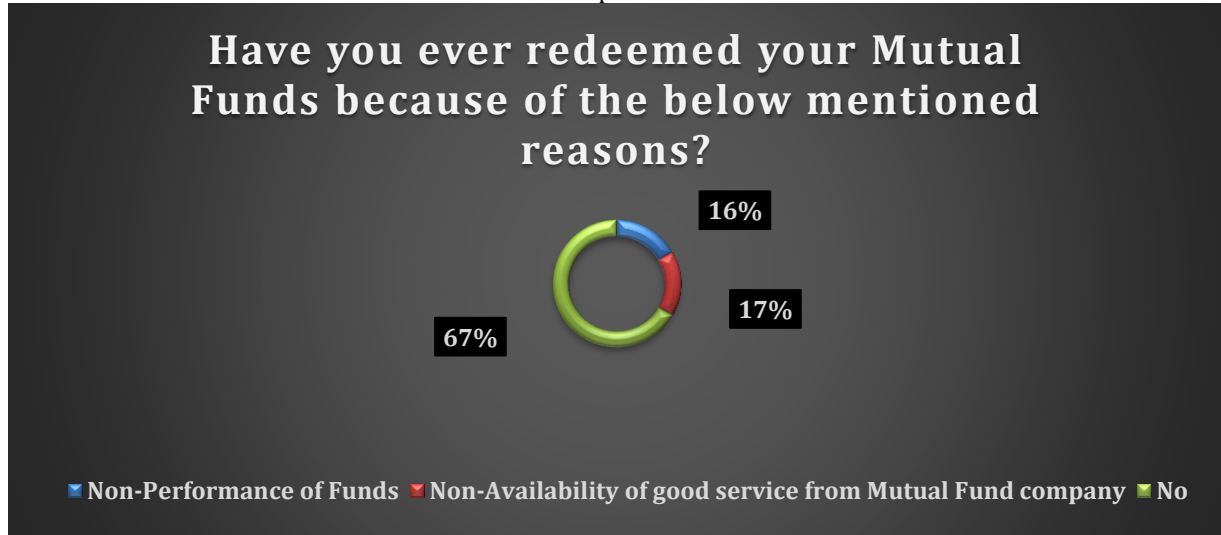


18. Have you ever redeemed your Mutual Funds because of the below -mentioned reasons?

Table 18

OPTION	RESPONSE (OUT OF 24)
Non-Performance of Funds	4
Non-Availability of good service from Mutual Fund company	4
Never Redeemed	16

Graph 18

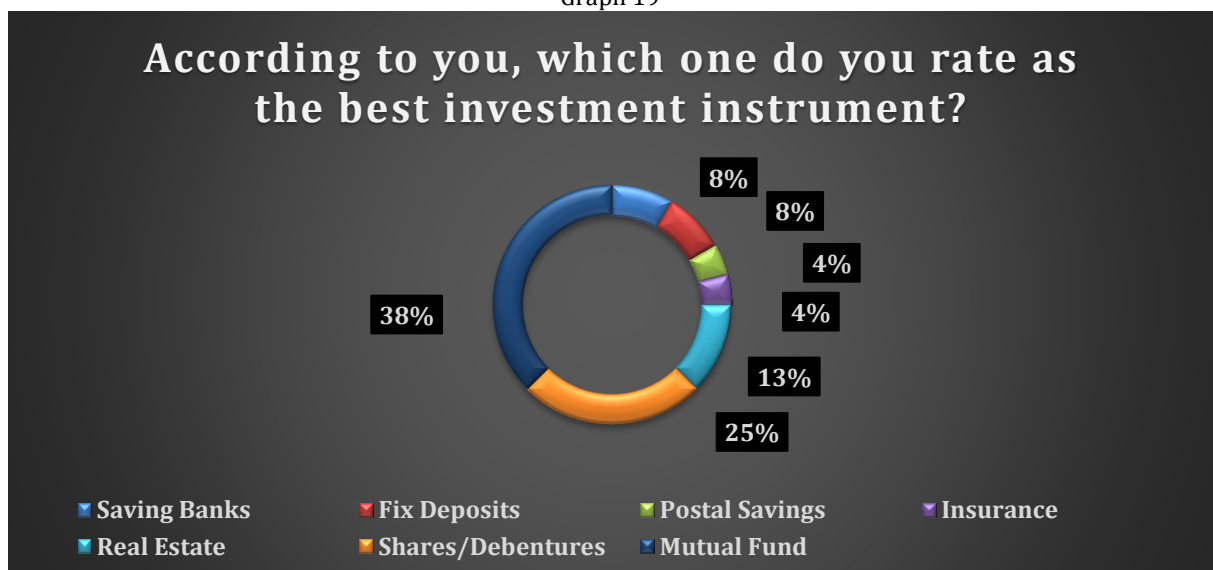


19. According to you, which one do you rate as the best investment instrument?

Table 19

OPTION	RESPONSE (OUT OF 24)
Saving Banks	2
Fix Deposits	2
Postal Savings	1
Insurance	1
Real Estate	3
Shares/Debentures	6
Mutual Fund	9

Graph 19



## 6. CONCLUSION

An attempt was made by the researcher to study awareness about mutual funds in Ahmedabad. The study is conducted on data received from 100 respondents from Ahmedabad. Opinion from these respondents was collected with the help of a well-structured questionnaire. With the help of Data analysis and interpretation, findings were drawn by researcher. With the help of findings following conclusion was drawn by researcher. People are aware of a mutual fund but still, very few peoples are investing in mutual funds. Respondents are preferring equity, hybrid & debt respectively. 75% of respondents are preferring a Systematic Investment Plan(SIP). Respondents are also aware of share market functioning. Respondents know that the Asset Management Company(AMC) invest their money in Share Market. Investors are investing in mutual funds because of these advantages' professional management, diversification, liquidity, return potential, low cost, tax benefits, and others. Investors are preferring mutual fund schemes as risky investment still they want to invest in it.

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